

LEOFF 2 BENEFITS SURVEY 2010

Survey conducted by staff of the
Research Services Division of the
Department of Commerce

Survey process

- Collect data about benefits for LEOFF 2 employees at 471 city, county and state agencies.
- Data collected
 - availability of deferred compensation to employees,
 - whether employers contribute or match contributions
 - participation rates
 - program vendor
 - medical benefit provider

Other data

- Other data collected include:
 - union contract length
 - contract renewal dates
 - what options for receiving benefits in retirement are available.
- A contact database was also updated for future use.

Findings

- 95% of jurisdictions employing police or deputies (police) offer a DC program.
- 91% of all jurisdictions employing fire fighters (FF) offer a DC program.
- There is a strong correlation between employee participation in DC and employer matching.

Findings

- 25% of cities do not have LEOFF 2 police.
 - Most contract with their sheriff, a few use contracts with nearby municipalities for service.
- 65% of cities do not have LEOFF 2 FF;
 - many have volunteer departments, or contract with a local fire district or nearby municipality.

Findings

- The state DRS is the most available DC program, offered in 64 % of jurisdictions with DC programs
- AWC insurance program provides medical benefits to the most jurisdictions, followed by WFCA
- The majority of union contracts are for three years, followed by two years.
- Contract renewals are spread evenly over all years; there is no pattern to the renewal cycle.

Findings

- LEOFF 2 employees can usually self-pay for medical benefits in retirement
 - continuing in the benefit group that had been provided by the employer.
 - Usually too expensive
- Only 3 jurisdictions continue to pay benefits for LEOFF 2 employees in retirement

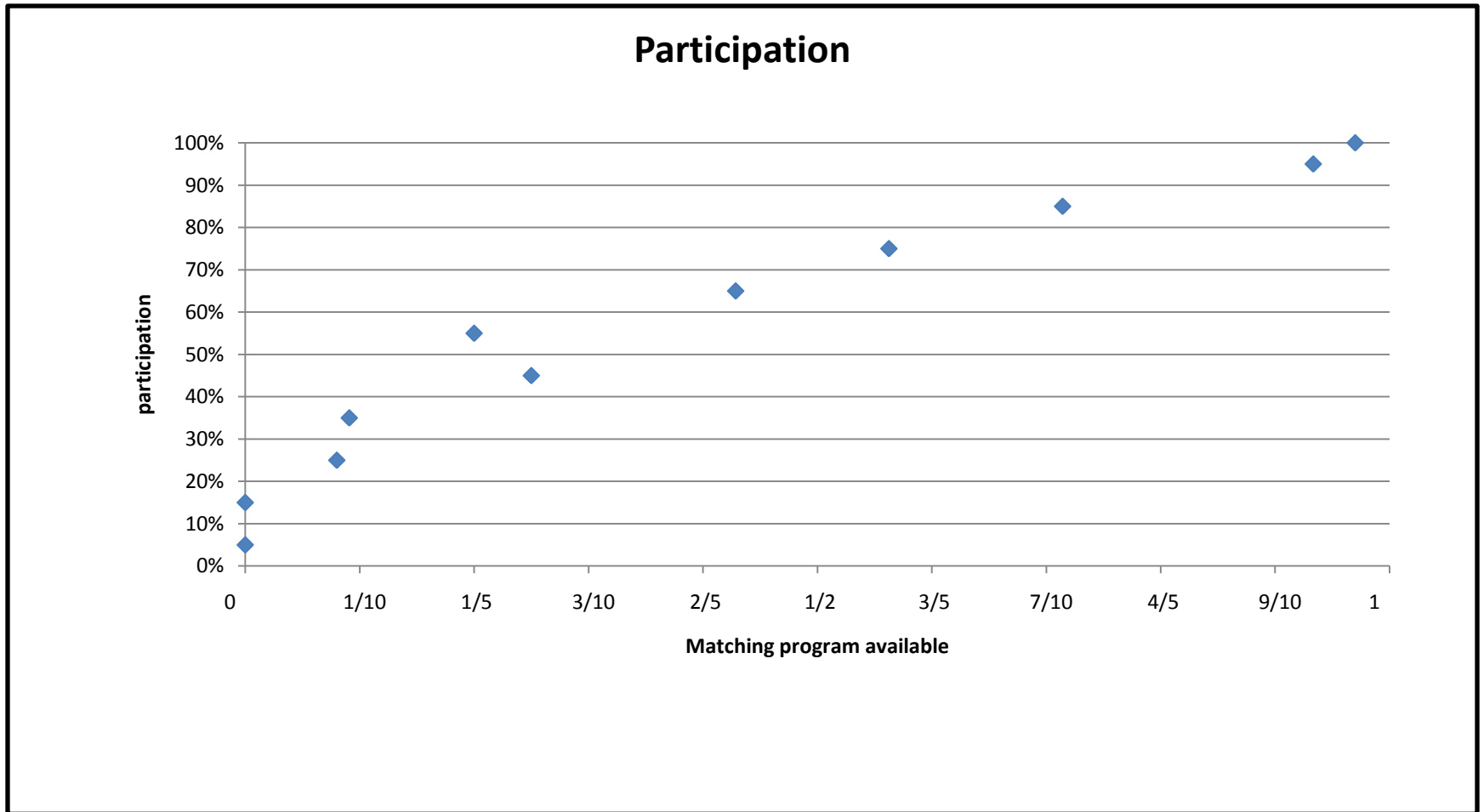
Deferred comp offered

Total all with DCP	329	% using
DRS	211	64.1%
ICMA	80	24.3%
Nationwide	58	17.6%
ING	34	10.3%
Hartford	32	9.7%
NACO	20	6.1%
Local bank etc	15	4.6%
Great West	13	4.0%
FTJ	11	3.3%
Aetna	5	1.5%
Valick	4	1.2%
Self insured	2	0.6%

Participation rate

Participation rate	Number of Programs	With match	No match
100%	71	63	8
90-100%	30	28	2
80-90%	14	10	4
70-80%	16	9	7
60-70%	14	6	8
50-60%	25	5	20
40-50%	20	5	15
30-40%	22	2	20
20-30%	25	2	24
10-20%	38	0	38
0-10%	43	0	43
Unknown	11		

Matching increases participation



Benefits offered

Providers	Offered in Jurisdictions	% using
Assoc. Wash Cities (AWC)	133	38.6%
WFCA	82	23.8%
Teamsters or local union	36	10.4%
Group Health	19	5.5%
Self insured	18	5.2%
PEBB (Washington State)	15	4.3%
Premiera/Providence/Regen ts Blue Cross	14	4.1%
Kaiser	12	3.5%
WCIF	11	3.2%
LEOFF Health Trust	10	2.9%
KPS	7	2.0%
UBET	6	1.7%
Aetna	3	0.9%

Contract length

Contract length	No. of contracts
6 years	3
5 years	3
4 years	9
3 years	179
2 years	57
1 year	6
Expired	4
No contract/union	68

LEOFF 2 BENEFITS SURVEY 2010

This project collected data about benefits for LEOFF 2 employees at city, county and state agencies. Data collected include availability of a deferred compensation program (DC) to employees, whether employers contribute on behalf of the employee or match contributions in some way, participation rates, program vendor, and medical benefit provider information. Other data collected include union contract length, contract renewal dates and what options for receiving benefits in retirement are available. A contact database was also updated for future use.

The survey was conducted by staff at the Research Services unit of the Department of Commerce under contract with the LEOFF 2 Board. The survey period was late 2009 through spring 2010. All cities, counties, state colleges, ports and fire districts were contacted via telephone for one-on-one interviews.

Major findings:

- 95 percent of all jurisdictions employing police or deputies (police) offer a DC program.
- 91 percent of all jurisdictions employing fire fighters (FF) offer a DC program.
- There is a very strong correlation between employee participation rates in DC plans and employer matching of contributions.
- 25 percent of all cities do not have LEOFF 2 eligible police. Most contract with their sheriff, a few use contracts with nearby municipalities for service.
- 65 percent of cities do not have LEOFF 2 eligible fire fighters; many have volunteer departments, and the remainder contract with a local fire district or nearby municipality.
- The state Department of Retirement systems (DRS) was the most available DC program, offered in 64 percent of jurisdictions with DC programs
- The Association of Washington Cities (AWC) insurance program provides medical benefits to the most jurisdictions, followed by the Washington Fire Commissioners Association (WFCA).
- The majority of union contracts are for three years, followed by two years.
- Contract renewals are spread evenly over all years; there is no pattern to the renewal cycle.
- The majority of LEOFF 2 employees can self-pay for medical benefits in retirement by continuing in the benefit group that had been provided by the employer.
- Three jurisdictions pay benefits for LEOFF 2 employees in retirement until age 65, but one has phased it out for new employees.

What follows is more detail on each of these topic areas.

Availability of Deferred Compensation Programs

Deferred compensation programs are widely available to LEOFF 2 eligible employees. Many jurisdictions offer two or more options for employees. Employee participation is optional, except in jurisdictions where the DC program is being used as a replacement for Social Security participation. In these jurisdictions the employer deposits a payment equivalent to the employer portion of the Social Security tax in the DC account for the employee. In most cases it is mandatory for the employee to match the deposit.

The following table shows the number of jurisdictions offering each program. The total number of programs exceeds the number of jurisdictions because many offer multiple options.

Deferred compensation programs offered

Total all with DCP	329	% using
DRS	211	64.1%
ICMA	80	24.3%
Nationwide	58	17.6%
ING	34	10.3%
Hartford	32	9.7%
NACO	20	6.1%
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FTJ	11	3.3%
Aetna	5	1.5%
Valick	4	1.2%
Self insured	2	0.6%

Ninety-three percent of cities employing police offer DC; 100 percent of counties, ports, state colleges/universities and agencies do the same. One-hundred percent of cities employing fire fighters offer DC, as do 85 percent of fire districts and fire authorities. Generally, those that do not are small and rural.

Factors affecting participation in DC

There are many factors that play a role in whether a fire fighter or officer chooses to participate in a DC program. Having good choices available, working for a jurisdiction that has adequate funding, the age of the employee, whether the payroll clerk or chief is an advocate of the program, and whether there is a match available are all factors. The two strongest factors are having an advocate for DC participation on staff and the presence of a matching program from the employer. The data collected show a high correlation between the existence of a match from the employer and the decision to participate. The 81 programs with the lowest participation rates all have no match available.

Agency matching is usually in the form of a dollar-for-dollar contribution with an annual or monthly cap. The cap is usually expressed as a percentage of the top step salary for the current contract. There are also matching programs, with matches ranging from 75 percent to 20 percent of the employee's contribution. There are also flat-rate programs where a payment is made on behalf of the employee; some of these require a minimal contribution by the employee. Some districts also offer the DC program as an option for money left over after paying medical benefits for employees that do not have dependents, or employees with "cafeteria plan" benefit packages.

There are 71 jurisdictions with 100 percent of LEOFF 2 employees participating in DC. Sixty-three of those jurisdictions offer a match; seven of the eight non-matching jurisdictions are small enough to have only one or two eligible members.

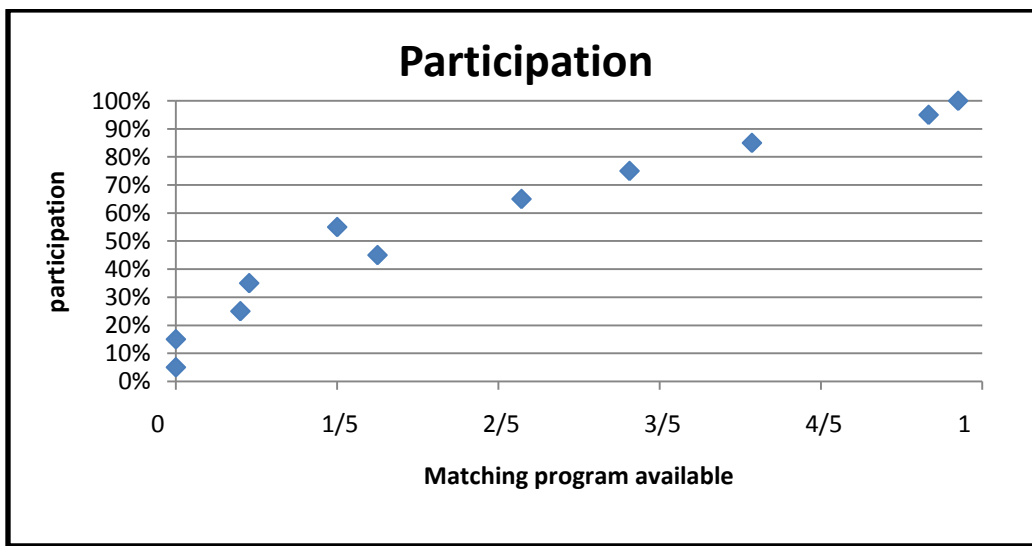
On the other end of the scale, there are 43 jurisdictions that offer DC programs with less than 10 percent participation; none of them match contributions. None of the 38 jurisdictions with between 10 and 20 percent participation offer a match either. For the 148 programs with less than 50 percent participation only nine offer a match. Meanwhile, 101 of the 155 programs with 80 percent or higher participation offer a match.

Participation rates by whether program offers match

Participation rate	Number of Programs	With match	No match
100%	71	63	8
90-100%	30	28	2
80-90%	14	10	4
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The table above shows the strong correlation between participation and matching. The rate of participation goes down as the number of non-matching programs increases.

Only eight of the programs with 100 percent participation lack a match. Further research indicates that the six of the eight jurisdictions with 100 percent participation rates are one- or two-person shops; in these jurisdictions the fire chief is usually the only LEOFF 2 eligible employee. Eliminating those six jurisdictions from the statistical mix provides a clearer picture of the relationship between matching and participation in DC.



The chart above shows the linear relationship between the presence of a match and a high rate of participation. Eliminating the odd cases from the data clarifies the relationship between matching and participation. The vertical axis shows the rate of participation in each program. The horizontal axis shows the number of programs with a match out of each ten. As the availability of a match rises from less than one in five to over four out of five participation rises.

Medical benefit programs

There are a variety of options for medical benefits. Most jurisdictions offer one option, a small number are self insured, and a few offer two or three options. The following table provides an accounting of providers. The total number of providers offered exceeds the number of jurisdictions due to some offering more than one option.

Medical benefit programs offered

Provider	jurisdictions	% using
Assoc. Washington Cities (AWC)	133	38.6%
WFCA	82	23.8%
Teamsters or local union	36	10.4%
Group Health	19	5.5%
Self insured	18	5.2%
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Premera/Providence/Regents Blue Cross	14	4.1%
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Aetna	3	0.9%

Medical benefits are not offered in retirement for LEOFF 2 employees with one exception; a handful of jurisdictions pay for benefits through age 65 and eligibility for Medicare. One employer requires that the FF be over 53 years old, and must have an eligibility factor of 78 or higher. The factor is determined by adding age and years of service. There are COBRA options; AWC and most other providers offer retiree programs that are self-paid, and some jurisdictions are adopting MERP (Medical Expense Reimbursement Plan) and VEBA (Voluntary Employee Beneficiary Association) options.

Contract length

Information about the length of contracts shows that most are for either two or three years. The distribution of ending dates for contracts is approximately equally distributed over the next three years. There does not appear to be a relationship between contract length or renewal timing and other factors. Anecdotal evidence shows some move toward one year renewals during the current recession. There were about 10 that reported this occurrence. Because these one year renewals were reported as unusual circumstances they are recorded in the table under the category of the original contract length (two or three years). There are also some jurisdictions that have been operating under long expired contracts, but they are still recorded under the expired heading rather than “no contract” because negotiations are ongoing.

Contract lengths and renewal schedule

Contract length	No. of contracts
6 years	3
5 years	3
4 years	9
3 years	179
2 years	57
1 year	6
Expired	4
No contract/union	68

This data show that changes in programs or state law should become effective in all but a handful of jurisdictions in the following three years.